

California Integrated Waste Management Board

Board Meeting

March 15-16, 2005

AGENDA ITEM 19

ITEM

Consideration Of The Recycling Market Development Revolving Loan Program Application For Arboricultural Specialties, Inc.

I. ISSUE/PROBLEM STATEMENT

This agenda item presents for consideration the Arboricultural Specialties, Inc. application to the Recycling Market Development Revolving Loan Program (RMDZ Loan). Arboricultural Specialties, Inc. has requested a \$780,000.00 RMDZ loan for their new "Green Waste Recycle Yard" (GWRY) project. Loan proceeds will be used to finance the purchase of real property consisting of a seven-acre parcel and machinery and equipment in Richmond within the Contra Costa County Recycling Market Development Zone.

II. ITEM HISTORY

None.

III. OPTIONS FOR THE BOARD

1. Approve the RMDZ Loan application for Arboricultural Specialties, Inc.
2. Approve with revisions the RMDZ Loan application for Arboricultural Specialties, Inc.
3. Take no action and provide staff with further direction.

IV. STAFF RECOMMENDATION

Staff recommends that the Board approve Option No.1 and adopt Resolution Number 2005-79 to approve a RMDZ Loan to Arboricultural Specialties, Inc. in the amount of \$780,000.00

V. ANALYSIS

A. Key Issues and Findings

Company Background

Arboricultural Specialties, Inc. d.b.a. The Professional Tree Care Company was incorporated as a California corporation in 1995.

Brian Fenske, President and 100 percent owner, started the business in 1978. A Certified Arborist and a member of the International Society of Arboriculture, Mr. Fenske, started the tree care business over 25 years ago. With employees currently totaling 39, the Professional Tree Care Co. provides a wide range of tree services such as tree pruning, tree removal, stump removal, stump grinding, spraying, fertilization and planting. Client base includes Caltrans, Cal State, Berkeley, UC Berkeley, City of Redwood, cemetery operators and various homeowners' associations.

Board Approved Eligibility Criteria – November 2003

- A recycling project is a project where post consumer or secondary materials are used to produce a value-added finished product or, intermediate processing of recovered material is provided. A value added recycled product is one in which the raw materials have increased their value through a change in their character or composition through a manufacturing process. Arboricultural Specialties, Inc.

will divert urban logs from landfills and prepare them as a feedstock for mill operators in making dimensional lumber products and create usable mulch products for various landscape and construction projects.

Feedstock Sources

- GWRY will recover urban logs from the Greater San Francisco Bay Area and recycle urban logs that are destined to the West Contra Costa Sanitary Landfill and other nearby California landfills.
- Tree service operators and contractors, urban landscape designers and planners, various public works departments within the greater San Francisco bay area such as Caltrans, large property owners such as California State University, University of California, homeowners' associations, cemetery operators, homeowners, etc. are typical customers. Storm damaged trees are a natural source of material. Most urban trees are removed because they are dead or dying or because of "hardscape" damage i.e. tree roots that damage sidewalks, buildings, underground pipes, etc.
- GWRY will be receiving urban tree logs from Professional Tree Care and other similar tree service operators and landscaping service operators from the greater San Francisco Bay area. In addition, GWRY will take over the urban tree recycling operation of the East Bay Conservation Corp. The East Bay Conservation Corp. under its Urban Tree Mill Operation currently processes more than 2,000 tons of urban wood logs. However, the East Bay Conservation Corp. will be discontinuing the urban tree recycling operation as the property owner has decided to convert the real property to an auto mall.

Value-Added Product

- Prepare urban logs as feedstock for mill operators in making dimensional lumber products and creating usable woodchip and mulch products for various landscape and construction projects.
- GWRY will prepare urban logs for milling including sorting, grading, scaling to mill size specifications of 14', 17' and 21'. GWRY will grind left-over urban logs to woodchips and mulch for landscaping use and any residual that cannot be re-used (about 1 to 10 percent) will be sold to the Woodland Biomass Power Ltd (co-generation plant).

End Users

- Milling companies that make dimensional lumber from urban logs, landscapers for mulch and wood chips and the Woodland Biomass Power Ltd (co-generation plant) for any left over woody waste.

Proposed RMDZ Loan Request

- Arboricultural Specialties, Inc. has requested a RMDZ loan in the amount of \$780,000.00. Loan proceeds of up to \$276,100.00 will be used to purchase and install a new shredding machine. The remaining \$500,000.00 will finance real property. The real property, with a purchase price of \$1,800,000.00, consists of a 7-acre parcel including a 3,840 square foot metal building located at 2550 Garden Tract Road, Richmond, California. A loan fee of \$3,900.00 will be financed. The RMDZ loan will fund approximately 35.5 percent of the total project cost. The matching funds of \$1,300,000.00 for the real property acquisition and the initial working capital requirement will be from Scott Valley Bank, Arboricultural Specialties' bank of account.

Interdivisional Reviews

- Permitting and Enforcement Division (P&E) are in the process of reviewing the applicant's permit requirements and the result will be presented at the Sustainability and Market Development Committee.
- Diversion, Planning, and Local Assistance Division (DPLA) have reviewed the project and have determined that the materials to be processed by Arboricultural Specialties, Inc. is normally disposed of in a landfill.
- Arboricultural Specialties, Inc. has certified that the project complies with all local and federal laws, regulations, requirements and rules, including CEQA.

Loan Committee

- The Loan Committee will meet on March 3, 2005 to consider Staff's analysis of Arboricultural Specialties, Inc.'s loan application, and their ability to repay and collateralize the loan.
- The results will be presented at the Sustainability and Market Development Committee.

B. Environmental Issues

- The property is in the neighborhood of Richmond Sanitary Services and West Contra Costa Sanitary Landfill, owned by Republic Services, Inc. The property is also adjacent to Syar Industries, a concrete and asphalt recycler. A wooden pallet recycling operator is currently operating from a portion of the facility.

C. Program/Long Term Impacts

- Based on the information in the jurisdiction's Source Reduction And Recycling Element (SRRE), urban logs that will be used in feedstock for this project are normally disposed of in landfills.
- GWRY is projected to process 3,000 tons per year of urban logs and other green waste material and will contribute to the diversion of that material from the waste stream, thereby assisting the local jurisdiction's compliance with AB 939.

D. Stakeholder Impacts

- The Contra Costa County recycling coordinator, zone administrator and the local jurisdiction are the key stakeholders for this project.
- This new project will divert an additional 3,000 tons per year of green waste from California landfills.

It is projected that 3 new jobs will be created as a result of this loan.

E. Fiscal Impacts

- Public Resources Code, Section 42023.1, provides the authority that funds this item.
- This item is funded by the Recycling Market Development Loan Program Sub account.

F. Legal Issues

None.

G. Environmental Justice

The U.S. Census Bureau 2000 depicts for Census Tract 3650.01 Contra Costa County, California the following:

- Demographics
 - 45.7% Black or African American
 - 25.1% White
 - 16.5% Asian
 - 0.4% American Indian & Alaska Native
 - 0.3% Native Hawaiian & Other Pacific Islander
 - 7.4% Other
 - 4.6% Two or more races
- Economic Profile
 - \$45,990 Median household income
 - \$22,973 Per capita income
 - 14.7% Persons living below poverty

Project Site Information

- Site location is 2550 Garden Tract Road, Richmond, California.
- The area is predominantly light industrial and is zoned P1 “light industrial”.
- This area is sparsely populated and the nearest residence is 5 miles from the facility.

H. 2001 Strategic Plan

This item supports the Board’s 2001 Strategic Plan as follows:

- Goal 2, Objective 2, Strategy B: Process low interest loans for companies that either convert non-hazardous solid waste into a recycled raw material or use a recycled raw material to ultimately produce a recycled content product.
- Goal 3, Objective 2, Strategy B. Promotes economic development in underserved areas.
- Goal 6, Objective 1, Strategy B: Promotes the Board’s Environmental justice policies into program eligibility.
- Goal 7, Objective 2, Strategy B: Program staff works with business in local jurisdictions to increase diversion of materials from landfills. The GWRY project is expected to divert 3,000 tons of urban logs annually by recycling them to feedstock for mill operators for making dimensional lumber, woodchips, and mulch for landscape operators.

VI. FUNDING INFORMATION

1. Fund Source	2. Amount Available	3. Amount to Fund Item	4. Amount Remaining	5. Line Item
RMDZ Loan Sub-account	\$12,152,000	\$ 780,000	\$11,372,000	Direct Loan

VII. ATTACHMENTS

1. Resolution Number 2005-79

VIII. STAFF RESPONSIBLE FOR ITEM PREPARATION

A. Program Staff: Govindan Viswanathan

Phone: (916) 341-6541

B. Legal Staff: Michael Bledsoe

Phone: (916) 341-6058

C. Administration Staff: N/A

Phone:

IX. WRITTEN SUPPORT AND/OR OPPOSITION

A. Support

The Zone Administrator for the Contra Costa County Recycling Market Development Zone has provided input and support for this project.

B. Opposition

Staff has not received any written opposition at the time this item was submitted for publication.

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

Resolution 2005-79

Consideration Of The Recycling Market Development Revolving Loan Program Application For Arboricultural Specialties, Inc.

WHEREAS, the California Integrated Waste Management Board (Board) is authorized to make loans to recycling businesses located in designated Recycling Market Development Zones that use post consumer or secondary waste materials from its Recycling Market Development Revolving Loan Account; and

WHEREAS, Board staff has received a complete loan application which is ready for consideration; and

WHEREAS, Board staff has determined that the application is eligible for consideration of loan funding and has recommended to the Loan Committee the approval and authorization of the loan to the eligible applicant; and

WHEREAS, the Loan Committee has considered the credit-worthiness of the eligible applicant and has recommended to the Board the approval and authorization of the loan to the eligible applicant; and

WHEREAS, the Board staff and Loan Committee have considered the extent to which the eligible applicant meets the goals of the Recycling Market Development Revolving Loan Program and have recommended to the Board the approval and authorization of the loan to the eligible applicant; and

WHEREAS, Section 17935.6 of Title 14 of the California Code of Regulations allows the extension of a loan commitment beyond 180 days if agreed to by both the Board and the Applicant.

NOW, THEREFORE, BE IT RESOLVED that in accordance with the recommendations of the Board staff and the Loan Committee, the Board hereby approves the funding of the following loan in the following original principal amount as set forth next to the Borrower's name, subject to all terms and conditions contained in the loan agreement to be prepared by Board staff for this loan in accordance with applicable regulations, and on such other terms and conditions as the Board or its duly authorized staff representative in its or their sole discretion deems necessary or advisable:

BORROWER

AMOUNT

Arboricultural Specialties, Inc.

\$780,000.00

(over)

RESOLVED FURTHER, that the Board, the Executive Director, or their authorized representative(s), be and each hereby is, authorized to do and perform any and all such acts, including, but not limited to, execution of the loan agreement, to be prepared by Board staff, and all other documents or certificates as the Board, the Executive Director, or their authorized representative(s), in its or their sole discretion, deem necessary or advisable to carry out the purposes of this Resolution.

RESOLVED FURTHER, that any actions of the Board, the Executive Director, or their authorized representative(s), taken prior to the date of the adoption of this Resolution, which are within the scope of authority conferred by this Resolution, are hereby ratified, confirmed and approved as the acts and deeds of the Board.

CERTIFICATION

The undersigned Executive Director, or his designee, of the California Integrated Waste Management Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the California Integrated Waste Management Board held on March 15-16, 2005.

Dated:

Mark Leary
Executive Director